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UNITED STATES DISTRICT COURT  
 NORTHERN DISTRICT OF CALIFORNIA  
 OAKLAND DIVISION

FINJAN LLC,  
 Plaintiff,  
 v.  
 PALO ALTO NETWORKS, INC.,  
 Defendant.

Case No. 4:14-CV-04908-PJH

**DEFENDANT PALO ALTO  
 NETWORKS, INC.'S OPPOSITION  
 TO FINJAN LLC'S MOTION TO  
 STRIKE AND DISMISS PAN'S  
 INEQUITABLE CONDUCT AND  
 UNCLEAN HANDS DEFENSES AND  
 COUNTERCLAIMS (DKT. NO. 120)**

Noticed Hearing Date: June 24, 2021  
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 Courtroom: 3, 3<sup>rd</sup> Floor  
 Judge: Honorable Phyllis J. Hamilton

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Defendant Palo Alto Networks, Inc. (“PAN”) hereby submits its Opposition to Plaintiff Finjan LLC’s (“Finjan”) Motion to Strike PAN’s Tenth, Eleventh, Twelfth, and Thirteenth Affirmative Defenses and Motion to Dismiss Counts XV, XVI, and XVII of PAN’s Counterclaims. (Dkt. No. 120 (“Motion”).)

## I. INTRODUCTION

PAN’s statement of its inequitable conduct and unclean hands defenses and counterclaims readily satisfies the applicable pleading standard. In its Answer to Amended Complaint and Counterclaims (“Answer”), PAN details precisely “who, what, when, where, and how” Finjan, through named inventor Shlomo Touboul and patent attorney Dawn-Marie Bey, intentionally misrepresented material information regarding U.S. Patent No. 8,677,494 (“the ’494 Patent”) and U.S. Patent No. 8,141,154 (“the ’154 Patent”) to the United States Patent and Trademark Office (“PTO”). PAN also sufficiently alleges that Finjan’s repeated misrepresentations to the PTO regarding purportedly “unintentionally” delayed claims of priority constitute egregious misconduct.

Defendants in other Finjan cases have pleaded very similar factual allegations that have survived Finjan’s repeated attempts to strike and dismiss. In this very district, four different judges presiding over five Finjan cases have held these factual claims to be sufficiently pleaded. *See Finjan, Inc. v. Check Point Software Techs., Inc.*, No. 18-CV-02621-WHO, 2019 WL 330912, at \*4-6 (N.D. Cal. Jan. 25, 2019) (Orrick, J.); *Finjan, Inc. v. Bitdefender Inc.*, No. 17-CV-04790-HSG, 2018 WL 1811979, at \*2-3 (N.D. Cal. Apr. 17, 2018) (Gilliam, J.); *Finjan, Inc. v. Cisco Sys., Inc.*, No. 17-CV-00072-BLF, 2018 WL 4361134, at \*4-5 (N.D. Cal. Sept. 13, 2018) (Freeman, J.); *Finjan, Inc. v. SonicWALL Inc.*, No. 5:17-cv-04467-BLF-VKD, Dkt. No. 102 (N.D. Cal. Nov. 2, 2018) (Freeman, J.) (Decl. of Eric W. Lin, filed herewith (“Lin Decl.”), Ex. 1 at 5); *Finjan, Inc. v. Juniper Network, Inc.*, No. C 17-05659 WHA, 2018 WL 5454318, at \*2-3 (N.D. Cal. Oct. 29, 2018) (Alsup, J.). Likewise, a judge in the District of Delaware found that these claims satisfied the pleading standard. *Finjan, Inc. v. Rapid7, Inc.*, No. CV 18-1519-MN-MPT, 2019 WL 2590857, at \*5-8 (D. Del. June 25, 2019), *report and recommendation adopted sub nom.*, No. CV 18-1519 (MN), 2019 WL 3207652 (D. Del. July 16, 2019). And most recently in

1 April 2020, Finjan did not even challenge these claims when pleaded by Qualys in this district.  
 2 *Finjan, LLC v. Qualys Inc.*, No. 4:18-cv-07229-YGR (N.D. Cal.) (Gonzalez Rogers, J.).

3 Given this background, Finjan quickly brushes by its unsuccessful record and  
 4 mischaracterizes one of the seven Finjan cases that addressed these claims as favorable. Finjan  
 5 states that Judge Alsup granted a similar motion to strike by Finjan in the *Juniper* case (Motion at  
 6 2:4-7), yet it fails to note that Judge Alsup subsequently granted leave for Juniper to amend and  
 7 permitted it to proceed to discovery on these same defenses and counterclaims. *Juniper*, 2018  
 8 WL 5454318, at \*3. Finjan also states that “PAN rehashes nearly verbatim . . . the claims and  
 9 assertions made by other defendants—Cisco, Juniper, SonicWALL and Rapid7—in their cases  
 10 against Finjan.” (Motion at 2:4-6.) But it fails to mention that in all four cases, courts have  
 11 considered those claims and assertions and determined that they satisfied the pleading  
 12 requirements. *Cisco*, 2018 WL 4361134, at \*4-5; *Juniper*, 2018 WL 5454318, at \*2-3;  
 13 *SonicWALL* (Lin Decl. Ex. 1 at 5); *Rapid7*, 2019 WL 2590857, at \*5-8.<sup>1</sup> And Finjan does not  
 14 even mention the three other cases in which these claims passed the pleading stage—either  
 15 because courts found these claims to be sufficiently pleaded or Finjan did not even attempt a  
 16 challenge.

17 Throughout its Motion, Finjan conflates the proper inquiry of whether PAN has met its  
 18 pleading requirements with the improper inquiry of whether PAN may ultimately prevail at  
 19 summary judgment or trial.<sup>2</sup> See *Miller v. Ghirardelli Chocolate Co.*, No. C 12-04936 LB, 2013  
 20 WL 3153388, at \*4 (N.D. Cal. June 19, 2013) (“To the extent [the plaintiff] argues that the  
 21 defense fails on its merits, that is an argument for summary judgement.”). Finjan has deployed  
 22 the same tactic in its other cases—and multiple judges in this district have rejected it. At this  
 23

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24 <sup>1</sup> Finjan characterizes Cisco’s withdrawal of the claims from its case “in the interests of  
 25 streamlining issues in preparation for trial” as evidence that “[t]he Inequitable Conduct Claims  
 26 have no merit on their face[.]” (Motion at 2:7-10.) But as Finjan concedes, these claims were  
 voluntarily withdrawn by Cisco, and indeed withdrawn “*solely* in the interests of streamlining  
 issues in preparation for trial[.]” (Lin Decl. Ex. 2 at 5-6 (emphasis added).)

27 <sup>2</sup> Notably, Finjan did not even attempt to file a motion for summary judgment on these  
 28 claims in any of the seven Finjan cases, let alone prevail on one.

1 stage in the case, and without the benefit of discovery, PAN's pleading readily meets applicable  
2 requirements.

3 Finjan's Motion should be denied in its entirety.

## 4 **II. STATEMENT OF ISSUES TO BE DECIDED**

5 Whether Finjan's Motion should be denied because PAN's counterclaims and affirmative  
6 defenses adequately allege inequitable conduct and unclean hands.

## 7 **III. ARGUMENT**

### 8 **A. Legal Standard for a Motion to Strike and a Motion to Dismiss**

9 Rule 12(f) motions to strike are "generally disfavored." *Barnes v. AT&T Pension Benefit*  
10 *Plan-Nonbargained Program*, 718 F. Supp. 2d 1167, 1170 (N.D. Cal. 2010). This is because "the  
11 motions may be used as delaying tactics and because of the strong policy favoring resolution on  
12 the merits." *Id.* "A court must deny the motion to strike if there is any doubt whether the  
13 allegations in the pleadings might be relevant in the action." *CoolSystems, Inc. v. Nice Recovery*  
14 *Sys. LLC*, No. 16-CV-02958-PJH, 2016 WL 6091577, at \*2–3 (N.D. Cal. Oct. 19, 2016)  
15 (Hamilton, J.). Similarly, "[a] claim should not be dismissed pursuant to Fed. R. Civ. P. 12(b)(6)  
16 unless it appears beyond doubt that the plaintiff can prove no set of facts in support of his claim  
17 which would entitle him to relief." *Vistan Corp. v. Fadei USA, Inc.*, No. C-10-4862 JCS, 2011  
18 WL 1544796, at \*7 (N.D. Cal. Apr. 25, 2011).

19 PAN's well-pleaded factual allegations must be taken as true and all reasonable inferences  
20 must be drawn in PAN's favor. *See Ashcroft v. Iqbal*, 556 U.S. 662, 678 (2009); *TASER Int'l,*  
21 *Inc. v. Stinger Sys.*, No. 07–042–PHX–MHM, 2008 WL 4183019, at \*3 (D. Ariz. Sept. 8, 2008)  
22 (citing *Wyler Summit P'ship v. Turner Broad. Sys., Inc.*, 135 F.3d 658, 661 (9th Cir.1998)) ("In  
23 determining both Fed. R. Civ. P. 12(b)(6) motions to dismiss and Rule 12(f) motions to strike, all  
24 allegations of material fact must be taken as true and construed in the light most favorable to the  
25 nonmoving party.").



**B. PAN Adequately Pleads Inequitable Conduct (Tenth, Eleventh, and Twelfth Affirmative Defenses and Counterclaims XV and XVI)**

**1. Legal Standard for Pleading—As Opposed to Proving—Inequitable Conduct**

“Because inequitable conduct pertains to patent law, it is the law of the Federal Circuit—not the law of the regional circuit—that determines whether the party alleging inequitable conduct has done so with the particularity required under Rule 9(b).” *SAP Am., Inc. v. Purple Leaf, LLC*, No. C 11-4601 PJH, 2012 WL 2237995, at \*2 (N.D. Cal. June 15, 2012) (Hamilton, J.).

Patent applicants owe a duty of candor, good faith, and honesty to the PTO in prosecuting patents, and “[a] breach of this duty constitutes inequitable conduct.” *Molins PLC v. Textron, Inc.*, 48 F.3d 1172, 1178 (Fed. Cir. 1995). A finding of inequitable conduct bars enforcement of a patent unfairly obtained through misconduct. *See Therasense, Inc. v. Becton, Dickinson & Co.*, 649 F.3d 1276, 1292 (Fed. Cir. 2011).

To plead inequitable conduct, PAN must allege: “(1) an individual associated with the filing and prosecution of a patent application made an affirmative misrepresentation of a material fact, failed to disclose material information, or submitted false material information; and (2) the individual did so with the specific intent to deceive[.]” *Exergen Corp. v. Wal-Mart Stores, Inc.*, 575 F.3d 1312, 1328 n.3 (Fed. Cir. 2009).

PAN’s inequitable conduct claims must satisfy the particularity requirements of Rule 9(b). To meet that standard, PAN must “identify the specific who, what, when, where, and how of the material misrepresentation or omission[.]” *Id.* at 1327-28. “The materiality required to establish inequitable conduct is but-for materiality,” but “[w]hen the patentee has engaged in affirmative acts of egregious misconduct, such as the filing of an unmistakably false affidavit, the misconduct is material.” *Therasense*, 649 F.3d at 1291-92.

Although the Federal Circuit’s *Therasense* decision tightened the requirements for proving inequitable conduct at trial, that standard of proof does not apply at the pleading stage. *SAP Am.*, 2012 WL 2237995, at \*4 (“[W]hile *Exergen* addresses the standard for pleading inequitable conduct, *Therasense* sets forth the standard for proving inequitable conduct.”). At trial, PAN must prove that intent to deceive is the “single most reasonable inference.”



1 *Therasense*, 649 F.3d at 1297. At the pleading stage, however, PAN’s allegations need only  
 2 include “sufficient underlying facts from which a court may reasonably infer that a party acted  
 3 with the requisite state of mind.” *Exergen*, 575 F.3d at 1327-28. They also must be taken as true  
 4 and all reasonable inferences drawn in PAN’s favor. *See supra* Section III.B.1. As demonstrated  
 5 below, PAN easily satisfied this pleading standard.

6 **2. PAN Adequately Alleges Inequitable Conduct Regarding the**  
 7 **’494 Patent (Tenth and Eleventh Affirmative Defenses and**  
 8 **Counterclaim XV)**

9 **a. PAN Adequately Alleges Inequitable Conduct Based on**  
 10 **Mr. Touboul’s Declaration**

11 PAN sufficiently pleads the “who, what, when, where, and how” for its inequitable  
 12 conduct allegations based on named inventor Shlomo Touboul’s declaration. Specifically, PAN  
 13 alleges that Shlomo Touboul misrepresented his sole inventorship and date of conception with  
 14 respect to one of the asserted patents in this litigation, U.S. Patent No. 8,677,494 (“the ’494  
 15 Patent”). (Answer (Dkt. No. 116), ¶¶ 229, 250.) PAN also alleges that Mr. Touboul materially  
 16 misrepresented in the Declaration that he submitted to the PTO on May 7, 2013 (“the Touboul  
 17 Declaration”) in order to ensure that the ’494 Patent would be granted. (*Id.*)

18 PAN alleges that during prosecution of U.S. Application No. 13/290,708 (“the ’708  
 19 Application”)—the application leading to the ’494 Patent—the PTO issued a Final Office Action  
 20 on January 7, 2013. (*Id.*, ¶¶ 217-19). In the Final Office Action, the PTO rejected all pending  
 21 claims over Ji, U.S. Patent No. 5,983,348 (“the Ji Reference”), which was filed on September 10,  
 22 1997. (*Id.*) In response, on May 7, 2013, Finjan submitted the Touboul Declaration. (*Id.*, ¶ 220.)  
 23 In the Declaration, Mr. Touboul declared under the penalty of perjury that the then-pending  
 24 “claims 1, 3, 4-6, 9, 10, 12-15 and 18” were his “sole invention” and that “[his] sole invention  
 25 was in [his] mind and developed by at least November 18, 1996[.]” (*Id.*) After Mr. Touboul  
 26 submitted his Declaration, on August 29, 2013, the Examiner allowed the pending claims and  
 27 specifically stated that “[t]he [Touboul] Declaration filed on May 7, 2013 under 37 CFR 1.131(a)  
 28 is sufficient to overcome the Ji, U.S. Patent 5,893,348 reference . . . The rejection is hereby  
 withdrawn and the claims are in conditions for allowance.” (*Id.*, ¶¶ 221, 241.) PAN also alleges

1 that Mr. Touboul's misrepresentations were intentional so that he could falsely assert that those  
 2 claims were entitled to an earlier priority date of November 18, 1996 in order to antedate the Ji  
 3 Reference. (*Id.*, ¶¶ 226, 242-44.)

4 PAN also goes beyond its basic pleading obligation and alleges additional facts as proof  
 5 of Mr. Touboul's inequitable conduct. PAN alleges that the '708 Application lists four inventors  
 6 on its face: Yigal Mordechai Edery; Nimrod Itzhak Vered; David R. Kroll; and Shlomo Touboul.  
 7 (*Id.*, ¶ 217.) On November 6, 2011, Finjan submitted to the PTO with the '708 Application a  
 8 Declaration signed by all four inventors that stated "I hereby declare that . . . I believe that the  
 9 inventor(s) named below to be the original and first inventor(s) of the subject matter which is  
 10 claimed and for which a patent is sought on the Invention entitled Malicious Mobile Code  
 11 Runtime Monitoring System and Methods." (*Id.*, ¶ 218.)

12 Moreover, PAN alleges that Finjan's discovery responses in other lawsuits contradict the  
 13 Touboul Declaration. For example, PAN alleges that in Finjan's lawsuit against Symantec  
 14 Corporation ("Symantec"), Finjan narrowed its asserted claims of the '494 Patent to only claims  
 15 10, 14, and 15 on June 26, 2017. (*Id.*, ¶ 222.) And Finjan served its Supplemental Interrogatory  
 16 Responses on July 26, 2017, in which it stated that "Yigal Edery, Nimrod Vered, David Kroll,  
 17 and Shlomo Touboul were involved with, and may have knowledge related to the conception and  
 18 reduction to practice of the '494 Patent." (*Id.*) PAN also alleges that Finjan served a fourth  
 19 supplemental response to Symantec's Interrogatory No. 1 stating "[t]he date of conception for the  
 20 asserted claims [10, 14, and 15] of the [the '494 Patent] began October 31, 1996 and continued  
 21 through May 2000." (*Id.*, ¶ 225.) In addition, PAN alleges that David Kroll, one of the joint  
 22 inventors, has previously testified at trial that he "helped come up with the idea behind claim 10  
 23 [of the '494 Patent] during [his] time at Finjan." (*Id.*, ¶ 224.)

24 Finjan's attacks on PAN's well-pleaded allegations are misguided, and each is addressed  
 25 below.

26 **(i) PAN Adequately Alleges Mr. Touboul's Misrepresentations**

27 Knowing that it cannot challenge the sufficiency of PAN's allegations, Finjan dives into  
 28 the alleged factual record not yet explored or developed in this case, and argues that Mr.

1 Touboul's declaration contains no misrepresentations. (Motion at 10:15-12:15.)

2 But Finjan overlooks PAN's allegation that one of the joint inventors, Mr. Kroll, has  
3 previously testified that he came up with the idea behind claim 10 of the '494 Patent, which  
4 contradicts the Touboul Declaration. (Answer, ¶ 224.) Specifically, during trial in *Finjan, Inc. v.*  
5 *Blue Coat Systems, Inc.*, Mr. Kroll testified under oath that:

6 Q. Yes. You helped come up with the idea behind claim 10 during  
7 your time at Finjan; is that right?

8 A. Yes.

9 (Lin Decl. Ex. 3 at 460:24-461:1.) Notably, in the *Juniper* case, Judge Alsup found Mr. Kroll's  
10 statement "sufficient to support a showing of the falsehood of Touboul's statement under the  
11 heightened pleading standard." *Juniper*, 2018 WL 5454318, at \*2.

12 Moreover, Finjan's *post hoc* interpretation of what Mr. Touboul and Finjan meant in the  
13 respective statements to the PTO and in other litigations "speak[s] to the weight of the evidence  
14 and [is] not appropriate or persuasive at this stage in the litigation." *Check Point*, 2019 WL  
15 330912, at \*6. PAN alleges that Finjan's fourth supplemental response to Symantec's  
16 Interrogatory No. 1 stating that "[t]he date of conception for the asserted claims [10, 14, and 15]  
17 of the [the '494 Patent] began October 31, 1996 and continued through May 2000" directly  
18 contradicts the Touboul Declaration. (Answer, ¶ 225; see Lin Decl. Ex. 4 at 12:16-17.) Finjan  
19 disagrees over what claims "the asserted claims" refer to, and proposes that they refer to those  
20 that Finjan originally asserted in its infringement contentions against Symantec. (Motion at  
21 11:20-12:12.) But Finjan is not entitled to such an inference; at this stage, PAN's allegations  
22 must be deemed true, and the inferences drawn in the manner most favorable to PAN. *See Usher*  
23 *v. City of Los Angeles*, 828 F.2d 556, 561 (9th Cir. 1987) ("On a motion to dismiss for failure to  
24 state a claim, the court must presume all factual allegations of the complaint to be true and draw  
25 all reasonable inferences in favor of the nonmoving party.").

26 Finjan's reliance on its service of a Fifth Supplemental Response in the *Symantec* case to  
27 "clarify that the subset of 'currently asserted claims' (Claims 10, 14, and 15) were conceived in  
28 1996" is another evidence-based argument "which may be more appropriately directed to a

summary judgment motion.” *See Cisco*, 2018 WL 4361134, at \*5. In any event, PAN has adequately pleaded that the prosecution history of the ’494 Patent and Finjan’s discovery responses in other lawsuits demonstrate that Mr. Touboul’s representations in the Touboul Declaration were false.

Therefore, “[w]hen viewing the [Answer] in the light most favorable to [PAN] ... [PAN’s] allegations are sufficient to put Finjan on notice of the facts giving rise to Mr. Touboul’s purported misrepresentation regarding his sole inventorship and conception date of certain claims in the 494 patent.” *Id.*, at \*5 (internal citations omitted); *Bitdefender*, 2018 WL 1811979, at \*2; *see also Check Point*, 2019 WL 330912, at \*6.

(ii) **PAN Adequately Alleges Mr. Touboul’s Misrepresentations Are Material**

Finjan argues that “any purported misstatements in the Touboul Declaration . . . are immaterial.” (Motion at 13:1-3.) But this contradicts established case law. *Therasense*, a case cited repeatedly by Finjan, held that “[w]hen the patentee has engaged in affirmative acts of egregious misconduct, such as the filing of an unmistakably false affidavit, the misconduct is material.” 649 F.3d at 1292. PAN has alleged that Mr. Touboul filed, under the penalty of perjury, a Declaration that falsely represented his sole inventorship and date of conception. Therefore, “[PAN’s] allegations, describing the filing of an unmistakably false affidavit, describe material misconduct.” *Phigenix, Inc. v. Genentech Inc.*, No. 15-CV-01238-BLF, 2016 WL 7985261, at \*4 (N.D. Cal. Jan. 12, 2016) (finding that defendant had sufficiently alleged materiality because it “alleged that Dr. Wang filed, under penalty of perjury, a terminal disclaimer that falsely asserted Plaintiff owned 100% of the ’294 Application.”).

Additionally, “[a] claim for priority is *inherently material* to patentability because a priority date may determine validity, whether an issue arises in prosecution or later in court challenges to validity.” *Nilssen v. Osram Sylvania, Inc.*, 504 F.3d 1223, 1233 (Fed. Cir. 2007) (emphasis added). The fact that the Touboul Declaration involves claims for priority inherently makes the misrepresentations material.

Finjan’s primary attack on the materiality element is that “in issuing the ’494 Patent, the

PTO referred to the Surfingate document,” and therefore the Touboul Declaration was not the basis for the PTO’s withdrawal of its rejection over the Ji Reference. (Motion at 13:1-13.) Again, this is another inference-based argument, not appropriate at the pleading stage. *See Check Point*, 2019 WL 330912, at \*5. Finjan’s argument also does not make sense. As Finjan concedes, the Surfingate document was attached to the Touboul Declaration. (Motion at 13:4-5.) The Touboul Declaration states on its face that it is “made herein to establish that I had the ideas described in the patent application, and first developed a working system that is described in the patent application and in claims 1, 3, 4-6, 9, 10, 12-15 and 18 pending as of the signing of this declaration (hereafter sole invention) prior to” the date of the Ji reference, and that Mr. Touboul’s “sole invention was embodied in a Finjan Software, Ltd. computer software product entitled SURFINGATE™.” (Lin Decl. Ex. 5 at FINJAN-PAN 003571-72.)

That is, Mr. Touboul used the Surfingate product to corroborate his Declaration. His statements allowed Finjan to establish a date of invention prior to when any of the joint inventors worked for Finjan. Relying on Mr. Touboul’s misrepresentations, the PTO issued the notice of allowance, stating “[t]he [Touboul] Declaration filed on May 7, 2013 under 37 CFR 1.131(a) is sufficient to overcome the Ji, U.S. Patent 5,893,348 reference . . . . The rejection is hereby withdrawn and the claims are in conditions for allowance.” (Lin Decl. Ex. 6 at FINJAN-PAN 004102.) This is a clear example of “but for” materiality. As Judge Freeman acknowledged in the *Cisco* case, “[PAN’s] allegations are sufficient at this stage to support a reasonable inference that the PTO withdrew its rejection based on Mr. Touboul’s declaration which allegedly contained misrepresentations.” *Cisco*, 2018 WL 4361134, at \*5.

**(iii) PAN Adequately Alleges Mr. Touboul’s Specific Intent to Deceive the PTO**

Finjan retorts that PAN’s specific intent allegations are “conclusory and legally insufficient,” and only based on “information and belief.” (Motion at 13:20-25.) The cases Finjan cites are inapposite and distinguishable.

*1st Media, LLC v. Electrical Arts, Inc.* concerns **proving**—not pleading—a specific intent to deceive. 694 F.3d 1367, 1371 (Fed. Cir. 2012). Finjan’s citation to *Therasense* is similarly

misplaced as that case “sets forth the standing for *proving* inequitable conduct.” *SAP Am.*, 2012 WL 2237995, at \*4 (emphasis in original). Finally, in *BlackBerry, Ltd. v. Typo Prods. LLC*, the court held that the defendant did not sufficiently plead inequitable conduct because the defendant “has not pleaded any *facts* from which [the court] can reasonably make” the inference of specific intent to deceive. No. 14-CV-00023-WHO, 2014 WL 1867009, at \*3 (N.D. Cal. May 8, 2014) (emphasis in original). Unlike the defendant in *BlackBerry*, PAN has alleged more than sufficient facts to allow the Court to reasonably infer that Mr. Touboul specifically intended to deceive the PTO so that the ’494 Patent could be issued. *See supra* Section III.B.2.a.

Therefore, “[c]onstruing the Answer’s allegations in a light most favorable to [PAN] and accepting the allegations related to the falsity of the Touboul Declaration as true, Kroll’s [trial testimony] and Finjan’s discovery responses together are sufficient to support a reasonable inference that Touboul made material affirmative misrepresentations with the intent to deceive the PTO in order to backdate the otherwise invalidating Ji Patent.” *Check Point*, 2019 WL 330912, at \*6; *Juniper*, 2018 WL 5454318, at \*2 (“At the pleading stage, these additional factual allegations, when taken together as true, sufficiently support a reasonable inference that Touboul made material affirmative misrepresentations with the intent to deceive the PTO in order to backdate potentially invalidating prior art.”); *Bitdefender*, 2018 WL 1811979, at \*2; *see also Cisco*, 2018 WL 4361134, at \*5.

**b. PAN Adequately Alleges Inequitable Conduct Based on Ms. Bey’s Petition**

PAN sufficiently pleads the “who, what, when, where, and how” for its inequitable conduct allegations based on Ms. Bey’s petition to the PTO. Specifically, PAN alleges that on October 23, 2012, after the PTO rejected pending claims over the Ji reference, Finjan’s patent attorney at the time, Ms. Dawn-Marie Bey, submitted a “Petition To Accept Unintentionally Delayed Claim Of Priority Under 35 U.S.C. § 119(e) and § 120 For The Benefit Of A Prior-filed Application Filed Under 37 C.F.R. § 1.78(a)(3)” (“the ’494 Patent Petition”), seeking to extend the chain of priority. (Answer, ¶¶ 236-37.) In the Petition, Ms. Bey represented that “the entire delay between the date the claim was due under 37 CFR § 1.78(a)(2)(ii) and the date the claim

1 was filed was unintentional.” (*Id.*) On November 27, 2012, the ’494 Patent Petition was denied  
 2 for failure to comply with the formality of including the reference required to claim priority. (*Id.*,  
 3 ¶ 239.) On May 7, 2013, Ms. Bey, on behalf of Finjan, filed an “Amendment And Response To  
 4 Office Action Under 37 C.F.R. § 1.114.” (*Id.*, ¶ 240.) Accompanying this filing, Ms. Bey  
 5 submitted the Touboul Declaration. (*Id.*) PAN also alleges that Finjan, through Ms. Bey, has  
 6 established an intentional pattern of delayed priority claims when the validity of Finjan’s patents  
 7 has been, or is likely to be, challenged, and that Ms. Bey falsely asserted that these delays were  
 8 unintentional. (*Id.*, ¶ 246.) PAN alleges that Finjan and Ms. Bey delayed claiming priority in  
 9 order to attempt to maximize the value of the ’494 Patent during pre-suit licensing negotiations  
 10 and only attempted to correct the claim of priority to overcome invalidity attacks on the ’494  
 11 Patent. (*Id.*, ¶ 248.)

12 Finjan’s attacks on PAN’s well-pleaded allegations are misguided, and each is addressed  
 13 below.

14 (i) **PAN Adequately Alleges Ms. Bey’s Material Misrepresentation**

15 Finjan argues that “[t]he fact that the PTO rejected the ’494 Patent Petition at issue in  
 16 PAN’s Answer is fatal to PAN’s claim of inequitable conduct because it demonstrates that the  
 17 PTO **did not rely upon** the ’494 Patent Petition in issuing the ’494 Patent.” (Motion at 9:19-23  
 18 (emphasis in original).) But the Federal Circuit has held that “[i]t is **not necessary** for a holding  
 19 of inequitable conduct that an examiner **rely on** a claim for priority or that entitlement to an  
 20 earlier priority be expressly argued in order to overcome prior art.” *Nilssen*, 504 F.3d at 1233  
 21 (emphasis added). “While an active misrepresentation made during prosecution in order to avoid  
 22 prior art is no doubt highly material, a misrepresentation that would not have immediately  
 23 affected patentability is still material.” *Id.* (internal quotation marks and citations omitted).

24 Finjan cites to *Therasense* in support of its argument. (Motion at 9:27-10:4.) Finjan  
 25 claims that *Therasense* states “that proof of reliance is equivalent to proof of but-for materiality,  
 26 such that materiality is satisfied only when a party is compelled to do what it would not have  
 27 otherwise done, but for the misrepresentation.” (*Id.* at 9:25-10:4.) Finjan however, omits that the  
 28 Federal Circuit was then discussing but-for proof in common law fraud and the requirements for



meeting common law fraud’s reliance element—not the materiality prong in inequitable conduct. *Therasense*, 649 F.3d. at 1295.

Earlier in the decision, the Federal Circuit held that “although but-for materiality generally must be proved to satisfy the materiality prong of inequitable conduct, this court recognizes an exception in cases of affirmative egregious misconduct.” *Id.* at 1292. “When the patentee has engaged in affirmative acts of egregious misconduct, such as the filing of an unmistakably false affidavit, the misconduct is material.” *Id.*

Therefore, “[Ms.] Bey’s alleged ‘unmistakably false’ affidavits in the form of certified petitions of ‘unintentionally’ delayed priority are *per se* material.” *Juniper*, 2018 WL 5454318, at \*3 (citing *Outside the Box Innovations, LLC v. Travel Caddy, Inc.*, 695 F.3d 1285, 1294 (Fed. Cir. 2012)). Additionally, because Ms. Bey’s ’494 Patent Petition involves claims for priority, her misrepresentation is also inherently material. *Nilssen*, 504 F.3d at 1233 (“A claim for priority is inherently material to patentability because a priority date may determine validity, whether an issue arises in prosecution or later in court challenges to validity.”).

**(ii) PAN Adequately Alleges Ms. Bey’s Specific Intent to Deceive the PTO**

Finjan claims that “PAN contends in a single, conclusory sentence” that Ms. Bey intended to deceive the PTO “without offering any basis for such belief.” (Motion at 10:5-9.) This is wrong. *See supra* Section III.B.2.b. For example, PAN alleges that Ms. Bey did not file the ’494 Patent Petition until Finjan was faced with the July 23, 2012 non-final rejection rejecting all claims over the Ji Reference. (Answer, ¶¶ 236-37.) The ’494 Patent Petition sought to extend the chain of priority to include a reference to U.S. Application No. 60/030,639, which predates the Ji Reference. (*Id.*, ¶ 237; *see also* Lin Decl. Ex. 7 at FINJAN-PAN 003520.) PAN also alleges that Finjan, through its representative, Ms. Bey, has an unusually frequent pattern of filing petitions to accept “unintentionally” delayed claims of priority. (Answer, ¶ 246.)

As Judge Alsup recognized in the *Juniper* case, “[Ms.] Bey’s submission of the allegedly false petitions in order to avoid prior art—and the alleged pattern of such false petitions—‘raise a strong inference of intent to deceive.’” *Juniper*, 2018 WL 5454318, at \*3 (citing *Intellect*

1 *Wireless, Inc. v. HTC Corp.*, 732 F.3d 1339, 1345 (Fed. Cir. 2013)).

2 **3. PAN Adequately Alleges Inequitable Conduct Regarding the**  
 3 **'154 Patent (Twelfth Affirmative Defense and Counterclaim**  
 4 **XVI)**

5 PAN sufficiently pleads the “who, what, when, where, and how” for its inequitable  
 6 conduct allegations related to U.S. Patent No. 8,141,154 (“the ’154 Patent”), one of the asserted  
 7 patents in this litigation. PAN alleges that on June 14, 2010, Finjan filed the non-provisional  
 8 patent application that matured into the ’154 Patent. (Answer, ¶ 253.) The patent application did  
 9 not make any claim of priority in its specification. (*Id.*) On March 20, 2012, the ’154 Patent  
 10 issued without any claim of priority listed on the face of the patent or any claim of priority found  
 11 in the specification. (*Id.*, ¶ 254) Approximately one and a half years after the ’154 Patent issued,  
 12 on October 16, 2013, Ms. Bey filed a “Petition To Accept Unintentionally Delayed Claim Of  
 13 Priority Under 35 U.S.C. § 120 For The Benefit Of A Prior-filed Application Filed Under 37  
 14 C.F.R. § 1.78(a)(3)” (“the ’154 Patent Petition”). (*Id.*, ¶ 255.) In the Petition, Ms. Bey sought to  
 15 claim priority to U.S. Patent No. 7,757,289 (“the ’289 Patent”), which was filed on December 12,  
 16 2005. (*Id.*) Ms. Bey also represented that “the entire delay between the date the priority claim  
 17 was due and the date that this petition with priority claim added to the specification is filed was  
 18 unintentional.” (*Id.*; *see also* Lin Decl. Ex. 8 at FINJAN-PAN 002110.)

19 PAN additionally alleges that Ms. Bey’s Petition to the PTO to accept a significantly  
 20 delayed claim of priority on October 16, 2013 conspicuously coincided with a new campaign by  
 21 Finjan to assert the ’154 Patent. (*Id.*, ¶ 257.) PAN alleges that Finjan, through its representative,  
 22 Ms. Bey, has established an intentional pattern of delayed priority claims when the validity of  
 23 Finjan’s patents has been, or is likely to be, challenged, and that Ms. Bey falsely asserted that  
 24 these delays were unintentional. (*Id.*, ¶ 261.) PAN alleges that Ms. Bey delayed properly  
 25 claiming priority in the ’154 Patent in order to defer the patent’s expiration date, and she  
 26 belatedly attempted to correct priority once the ’154 Patent was asserted in multiple litigations  
 27 and subject to substantial invalidity challenges. (*Id.*, ¶ 266.)

28 Finjan’s attacks on PAN’s well-pleaded allegations are misguided, and each is addressed  
 below.

a. **PAN Adequately Alleges Ms. Bey's Misrepresentation**

Finjan first retorts that Ms. Bey's '154 Patent Petition contains no misrepresentation because she "took the appropriate steps provided for under 37 C.F.R. § 1.78 to claim the benefit of an earlier filing date" and the PTO "permits such actions." (Motion at 14:19-15:3.) But as Judge Orrick has pointed out in the *Check Point* case when Finjan made the same argument, "Finjan's arguments address only whether it was allowed to file the '154 Petition, not whether Bey misrepresented the delay as unintentional. Compliance is not determinative of reasonableness." *Check Point*, 2019 WL 330912, at \*6 (citing *Reiffin v. Microsoft Corp.*, 270 F. Supp. 2d 1132, 1155 (N.D. Cal. 2003)).

Finjan next argues that PAN makes a number of assertions "upon information and belief," and that "[a]llegations regarding material misrepresentations and intent cannot be sufficiently pled for inequitable conduct upon 'information and belief.'" (Motion at 15:4-11.) Finjan further states that those allegations are "insufficient for the same reasons and based upon the same law cited above for the '494 Patent." (*Id.*) But as Judge Alsup has acknowledged before, "[p]leading on 'information and belief' is permitted under Rule 9(b) when essential information lies uniquely within another party's control." *Juniper*, 2018 WL 5454318, at \*2 (citing *Exergen*, 575 F.3d at 1330).

PAN's pleading does exactly what is required by *Exergen*. For example, PAN alleges—not on information and belief—that neither the '154 Patent when issued nor its patent application made any claim of priority in its specification. (Answer, ¶¶ 253-54.) PAN also alleges that Ms. Bey's Petition to the PTO to accept a significantly delayed claim of priority on October 16, 2013 conspicuously coincided with a new campaign by Finjan to assert the '154 Patent. (*Id.*, ¶¶ 255, 257.) PAN further pleads specific allegations regarding Finjan and Ms. Bey's unusually frequent pattern of petitioning for "unintentionally" delayed claims of priority. (*Id.*, ¶¶ 261-264.) Therefore, PAN has alleged more than sufficient facts that support its other allegations regarding information that lies uniquely within the control of Finjan. *Exergen* 575 F.3d at 1330.

Finjan also briefly argues that "PAN's allegation that 'Finjan is incentivized to properly claim priority only to the extent it believes is necessary to overcome otherwise invalidating prior

art’ is facially implausible.” (Motion at 15:12-13.) Here again, however, Finjan raises an evidence-based argument, stating that “the PTO acknowledged Finjan’s priority claim to the ’289 Patent around the time the ’154 Patent was filed” and that the “PTO presumably considered prior art in view of the earlier priority date.” (*Id.* at 15:14-16.) Finjan provides no record and instead invites the Court to speculate as to the PTO’s state of mind. In any event, PAN has sufficiently alleged that neither the patent application nor the ’154 Patent when issued included any claim of priority, and that Finjan did not seek to claim priority to the ’289 Patent until one and a half years after the ’154 Patent issued. Accepting PAN’s allegations as true and construing them in the light most favorable to PAN, *see Wyler*, 135 F.3d at 661, PAN’s allegations are therefore “sufficient to support a reasonable inference that [Ms.] Bey intentionally delayed filing the petition for the ’154 Patent in order to maximize the value of the ’154 Patent during pre-suit licensing negotiations and only filed [her] petition to correct the claim of priority once [Finjan] realized that the ’154 Patent would be subject to invalidity attacks in litigation.” *Check Point*, 2019 WL 330912, at \*5; *see also Juniper*, 2018 WL 5454318, at \*3 (“[PAN’s] allegations, when taken together as true, sufficiently support a showing that [Ms.] Bey’s petition of ‘unintentional’ delay in connection with the ’154 Patent was false.”).

**b. PAN Adequately Alleges Ms. Bey’s Misrepresentation Is Material**

Ms. Bey’s misrepresentation in the ’154 Patent Petition is inherently material because it is related to a priority claim. *Nilssen*, 504 F. 3d at 1233 (“A claim for priority is inherently material to patentability[.]”); *Check Point*, 2019 WL 330912, at \*5 (“The alleged misrepresentation by [Ms.] Bey, as contained in the ’154 Petition, is per se material.” (citing *Outside the Box*, 695 F.3d at 1294 (“[W]here the patentee has engaged in affirmative acts of egregious misconduct, such as the filing of an unmistakably false affidavit, the misconduct is material.” (citation omitted)))); *see also Juniper*, 2018 WL 5454318, at \*3.

In an attempt to downplay this fact, Finjan raises a hodgepodge of facts or purported inferences, none of which challenges the sufficiency of PAN’s materiality allegation at the pleading stage. Finjan first states that “the ’154 Patent Petition does not affect the patentability of

1 the '154 Patent because the '154 Patent Petition was filed after the '154 Patent was issued.”  
 2 (Motion at 15:22-23.) But PAN has never alleged that Ms. Bey misrepresented in the '154 Patent  
 3 Petition in order to get the '154 Patent allowed (like she did for the '494 Patent), but PAN rather  
 4 alleges that she did so to help the '154 Patent dodge serious invalidity attacks in litigation.  
 5 (Answer, ¶ 259.)

6 Finjan also suggests that Ms. Bey only “submitted multiple petitions to correct the same  
 7 mistake in order for Finjan’s patent portfolio to maintain consistent priority claims.” (Motion at  
 8 16:12-14.) It is not clear how this alleged inference questions PAN’s materiality allegation. In  
 9 any case, Finjan should raise those arguments at trial, or on summary judgment. *Miller*, 2013 WL  
 10 3153388, at \*4.

11 **c. PAN Adequately Alleges Ms. Bey’s Specific Intent to**  
 12 **Deceive the PTO**

13 Finjan argues that Finjan’s “purported inequitable conduct affirmative defense ... is *not*  
 14 the single most reasonable inference in light of Ms. Bey’s statement that the delay was  
 15 unintentional.” (Motion at 16:20-24 (emphasis in original).) But Finjan, once again, applies the  
 16 wrong standard to PAN’s pleading.

17 At trial or summary judgment, PAN must prove that the intent to deceive the PTO is the  
 18 “single most reasonable inference.” *Therasense*, 649 F.3d at 1297. At the pleading stage, by  
 19 contrast, PAN need only plead facts giving rise to a reasonable inference of “intent to deceive.”  
 20 *See Delano Farms Co. v. Cal. Table Grape Comm’n*, 655 F.3d 1337, 1350 (Fed. Cir, 2011);  
 21 *Exergen*, 575 F.3d at 1328 n.5.

22 PAN has adequately pleaded Ms. Bey’s intent. As courts in this district have repeatedly  
 23 held, “[Ms.] Bey’s submission of the allegedly false petitions in order to avoid prior art—and the  
 24 alleged pattern of such false petitions—raise a strong inference of intent to deceive.” *Juniper*,  
 25 2018 WL 5454318, at \*3; *see also Check Point*, 2019 WL 330912, at \*5 (“[T]he submission of  
 26 the allegedly false '154 Petition raises a strong inference of intent to deceive the PTO.”).

**C. PAN Adequately Pleads Unclean Hands (Thirteenth Affirmative Defense and Counterclaim XVII)**

**1. Legal Standard for Pleading Unclean Hands**

“The defense of unclean hands is essentially a cousin to inequitable conduct that lowers the materiality threshold on a showing of ‘egregious misconduct’ like perjury or the suppression of evidence.” *Finjan, Inc. v. Juniper Network, Inc.*, No. C 17-05659 WHA, 2018 WL 4181905, at \*6 (N.D. Cal. Aug. 31, 2018). “[A] determination of unclean hands may be reached when ‘misconduct’ of a party seeking relief ‘has immediate and necessary relation to the equity that he seeks in respect of the matter in litigation,’ *i.e.*, ‘for such violations of conscience as in some measure affect the equitable relations between the parties in respect of something brought before the court.’” *Gilead Scis., Inc. v. Merck & Co., Inc.*, 888 F.3d 1231, 1239 (Fed. Cir. 2018) (quoting *Keystone Driller Co. v. General Excavator Co.*, 290 U.S. 240, 245 (1933)). The unclean hands doctrine “necessarily gives wide range to the equity court’s use of discretion in refusing to aid the unclean litigant.” *Precision Instrument Mfg. Co. v. Automotive Maintenance Machinery Co.*, 324 U.S. 806, 815 (1945).

**2. Finjan Does Not Dispute PAN’s Unclean Hands Allegations**

Finjan’s 18-page-Motion contains just three conclusory statements in footnote 2 regarding PAN’s unclean hands allegations. (Motion at 3, n.2.) Finjan states that these allegations “cannot stand on their own” because they are “solely due to the alleged inequitable conduct related to the ’494 and ’154 patents.” (*Id.*) That is simply not true. PAN alleges that Finjan has an unusually frequent practice of petitioning for allegedly “unintentionally” delayed claims of priority, particularly after one of Finjan’s patents is under examination and has been rejected over prior art that predates the filing of the patent but post-dates the belatedly claimed priority document. (Answer, ¶ 269.) PAN also details Finjan’s egregious misconduct with respect to U.S. Patent No. 7,058,822 (“the ’822 Patent”) in eight paragraphs. (*Id.*, ¶¶ 271-78.)

Finjan’s passing statement that “unclean hands . . . is improperly pled as a counterclaim” is equally wrong. (Motion at 3, n.2.) Finjan cites to no legal authority as to why unclean hands cannot be pleaded as a counterclaim. It should look no further than the *Juniper* case—cited

1 repeatedly by Finjan in its Motion—in which Judge Alsup denied Finjan’s motion to dismiss  
 2 Juniper’s unclean hands counterclaim. *Juniper*, 2018 WL 4181905, at \*5-7.

### 3 **3. Courts Previously Found Similar Allegations Sufficient**

4 In the *Juniper* case, Juniper’s affirmative defense and counterclaim of unclean hands  
 5 allege similar facts regarding Finjan’s egregious misconduct. (Lin Decl. Ex. 9 at 24-28 (Juniper’s  
 6 Sixth Counterclaim).) Juniper alleges facts regarding Finjan’s egregious misconduct with respect  
 7 to the ’494 and ’154 Patents, and the ’822 Patent. (*Id.*) Juniper also further fleshes out Finjan’s  
 8 alleged scheme of waiting to see if a patent would be granted or validated with a later priority  
 9 date in order to benefit from a later expiration date, and, only when clearly challenged by  
 10 potentially invalidating prior art, seeking to correct its “unintentionally” delayed priority claim in  
 11 order to try to moot the asserted prior art. (*Id.*) Judge Alsup found Juniper’s unclean hands  
 12 allegations sufficient. Specifically, Judge Alsup held:

13 The totality of Juniper’s allegations presents a troubling scheme.  
 14 Looking at the forest instead of the trees, we see a pattern and  
 15 practice of bringing to the attention to the PTO critical information  
 16 only after the PTO examiner or industry itself has exposed the  
 17 original priority date as ineffective to support a valid invention. In  
 18 light of this practice, it then becomes all the more suspicious that  
 19 Attorney Bey, time and again, would—only after potentially  
 20 invalidating prior art is interposed—give the same story of  
 “unintentional delay” in petitioning for a priority date conveniently  
 predating prior art. Then Finjan tries to stretch the earlier  
 disclosure to read on an accused product, using abstract concepts as  
 needed to connect the dots between the earlier disclosure and the  
 accused product. The alleged delay tactics, if accepted as true,  
 would be an abuse of the prosecution system, which this order finds  
 would amount to “egregious misconduct.”

21 *Juniper*, 2018 WL 4181905, at \*7.

22 PAN has sufficiently pleaded that Finjan, as Plaintiff in this infringement action, is guilty  
 23 of egregious misconduct directly related to the prosecution and priority claims of the patents at  
 24 issue that would render the patents unenforceable. *Gilead*, 888 F.3d at 1239. Therefore, PAN has  
 25 “[pleaded] sufficient facts regarding their defense of unclean hands. The elements of  
 26 misrepresentation of material fact and violation of Finjan’s duty of candor are sufficiently  
 27 supported by factual allegations which demonstrate bad faith misrepresentation or egregious  
 28 misconduct.” *Rapid7*, 2019 WL 2590857, at \*8.



1           **IV. CONCLUSION**

2           Five judges in two districts, including this one, have uniformly held similar factual  
3 allegations to be sufficiently pleaded and satisfying *Exergen* and Rule 9(b). Finjan is clearly on  
4 notice as to the claims against it. Finjan gives short shrift to that pleading standard and repeatedly  
5 asks the Court to ignore PAN's well-pleaded allegations and to draw inferences against PAN.  
6 Finjan's Motion confuses PAN's obligation to plead its claim with PAN's obligation to prove its  
7 claim by clear and convincing evidence at trial. Finjan's Motion should be denied in its entirety.<sup>3</sup>

8  
9  
10 Dated: May 19, 2021

MORRISON & FOERSTER LLP

11  
12 By: /s/ Colette Reiner Mayer  
13 Colette Reiner Mayer

14 Attorneys for Defendant  
15 PALO ALTO NETWORKS, INC.  
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23  
24 <sup>3</sup> To the extent the Court finds any of PAN's affirmative defenses or counterclaims  
25 insufficiently pleaded, PAN requests leave to amend. Courts in this district have routinely held  
26 that if a defense is stricken, "[i]n the absence of prejudice to the opposing party, leave to amend  
27 should be freely given." *Powertech Tech., Inc. v. Tessera, Inc.*, No. C 10-945 CW, 2012 WL  
28 1746848, at \*3 (N.D. Cal. May 16, 2012) (quoting *Wyshak v. City Nat'l Bank*, 607 F.2d 824, 826  
(9th Cir. 1979)); *Maquet Cardiovascular LLC v. Saphena Med., Inc.*, No. C 16-07213 WHA,  
2017 WL 3215355, at \*1 (N.D. Cal. July 27, 2017) ("Absent prejudice or a strong showing of  
another factor, there is a presumption under Rule 15(a) in favor of granting leave to amend."  
(citation omitted)).